

## **Revenue Committee**

### **Meeting Summary**

**January 12, 2000**

Adopted (2/8/2000)

**Committee members present:** Chair Skip Rowley, Vice-Chair Bob Helsell, Roger Dormaier, Councilmember Dave Earling, Jim Fitzgerald, Governor Booth Gardner, Larry Pursley, Mike Roberts, Commissioner Judy Wilson

**Committee members not present:** Representative Ed Murray, Neil Peterson, Senator George Sellar

The Revenue Committee convened at 8:35 a.m. at Cavanaugh's on Capitol Lake, Olympia. Chair Skip Rowley asked for a motion to adopt the December 14 meeting summary. A motion was made and seconded and the meeting summary was approved.

No members of the public wished to address the committee during the public comment period.

Committee staff person Kathy Elias explained the two handouts at each member's place. The first was a table showing the breakdown of transportation revenues and expenditures by county and by region of the state, in response to questions about the geographic distribution of funds at last month's meeting. The table represents the average annual amounts for the 10-year period 1988-97. The second was a summary table in response to a member's question about the percent of state transportation funds spent on highways. The table indicates the answer is 85%.

### **Discussion of Revenue Options**

Facilitator Jerry Cormick reminded members that they had left off on page 5 of 7 on the matrix of options. Members continued the discussion of options:

**Local Sources #5.** The idea of the local government bonded pool was that a fund source would be dedicated at the state level, and bonds would be issued by the state treasurer, for the benefit of local governments. For example, a revenue stream of \$10-12 million per year could generate a \$100 million pool of funds. Jerry Fay of the Transportation Improvement Board noted that the current dedicated 1.5 cents in the Transportation Improvement Account could, if fully bonded,

generate \$500 million. Members agreed with the concept of shifting from pay-as-you-go funding to use of bonding. It was noted that any reliable revenue stream that would guarantee a project once started would be finished would be desirable.

**Local Sources #7.** This proposal would use the concept of tax increment financing and base it on the sales tax rather than the property tax in a given geographic area. This would avoid the Constitutional prohibition against different tax rates on properties of the same value. A member wondered whether it might create problems in border communities. Questions were raised about whether the sales tax increment would apply only to the local share or to the state's share as well. If applied only to the local share, it might not generate enough money. It was also noted that it might make it difficult for the local government to support the additional services needed to serve the new development. It was agreed the idea needed more study.

**Regional Sources #2.** This option would allow new regional authorities to impose a local option gas tax or a sales tax on gas within their boundaries. A member expressed little enthusiasm and said particularly for commercial vehicles it would be difficult if there were local and regional options. It was also noted there would be jurisdictional sensitivities if there were price differentials in adjacent communities. Another comment expressed concern about the notion of new regional districts. Members agreed they would want to see the proposal for the new district first before they could discuss its revenue authority.

**Regional Sources #3.** Same observations.

**Regional Sources #4.** Same observations.

**Regional Sources #5.** A new fifth option of a regional property taxing authority was added to the list with the same observations as under #2 above.

**State Sources #2.** A statewide sales tax on gas was opposed by at least one member; others said it merits discussion. A question would be whether this would apply to the entire price of a gallon of gas, in which case this would be a tax on top of the existing state and federal gas taxes, or would it apply only to the underlying commodity price. In that case, the revenue would tend to be somewhat unpredictable as it would fluctuate with the price of petroleum. A benefit would be that it would not be subject to the 18<sup>th</sup> Amendment.

**State Sources #3.** A concern with a VMT charge would be evasion and the expense of instituting electronic tracking systems. A benefit would be that it would potentially be a huge revenue generator and a user fee. It was commented that we already have a user fee in the gas tax. Another member noted that it creates a direct link between the use of the infrastructure and the fee which is based on use. To fund the system, a base fee (for example \$100 a year) is needed to maintain the existing system; plus a usage fee that generates new dollars for improvements. It was suggested that rather than a statewide charge, this might be a good regional option. It was also noted that the EPA came out with a recent report suggesting the idea of "odometer audits" that might be an inexpensive enforcement mechanism.

**State Sources #4.** Members felt that, in light of I-695, the idea of an excise tax on new vehicles would probably not be palatable to the public.

**State Sources #5.** Same problem as #4.

**State Sources #6.** There was no enthusiasm for the option of a refinery tax.

It was suggested that a statewide option not on the list was a state income tax. It is progressive and with offsetting reductions to other taxes, might be worth considering. Washington is only one of a few states that does not have an income tax. Chairman Rowley noted that it would imply opening up the entire state tax structure, which was outside the scope of the BRCT.

**Competitive Sources #2.** The idea of a large project fund somewhat like Special Category C was considered a good one.

**Other Sources #1.** The use of incentive funds was suggested as a way to get local jurisdictions to maintain certain minimum standards rather than allow infrastructure to deteriorate.

### **Joint Meeting with Investment Strategies Committee**

After the break, the meeting reconvened as a joint meeting with the Investment Strategies Committee. Chairs Rowley and Stedman welcomed the opportunity to discuss issues of interest to both committees. The first part of the joint meeting was dedicated to committee discussion of overlapping issues.

**Linking maintenance and preservation funding to dedicated sources.** This idea was proposed as a result of local government inability to fully take care of existing, often aging, infrastructure out of available revenues. Sometimes it is preferable allow a roadway to deteriorate completely so that it becomes eligible for grant funds. The public does not understand why government does not take care of the basics. A member asked whether such a proposal flies in the face of the need for increased flexibility in use of funds. On the other hand, it was noted, what's more important: flexibility or ensuring that the basics get taken care of. It was suggested that other proposals be linked to this one: the use of least life cycle costs to determine best timing for repairs and the use of incentives to reward good maintenance of the existing system. Basic maintenance of transit and other modes must be included. Another issue raised was whether there is agreement on the standards to which facilities should be maintained. Should funding be linked to minimum standards or some other level? Should "big brother" decide or should it be the local community? Members agreed that secure funding for maintenance and preservation would ensure predictability and long term accountability. Incentives were favored over dedication.

**Linking preservation funding to pavement management systems.** Members felt this proposal should link to the previous discussion. Pavement management systems should not become an unfunded mandate, but rather there should be incentives for their use.

**Shifting focus from projects to functions and corridors.** Members agreed that emphasis on corridors would strengthen the incentives of adjacent jurisdictions to work together. It was noted that the implication of this proposal included the flexibility to develop solutions across modes. Members felt

that corridor-based approaches should add to the system, not represent a net loss of other funds. It was suggested that a “hold harmless” principle be the base of any new proposals.

**Linking funding to systemwide priorities.** It was observed that regions already develop priorities through their 6-year plans and that funds could be sent to regions as block grants to meet these regional priorities. It was also noted that the need was for improved regional planning and funding, not necessarily for new entities.

**When are transportation functions appropriately funded by user fees.** Members commented that the term “user fee” means different things. The public supports the idea of user fees when a specific local service or facility is to be paid for. It is not always palatable when it is the gas tax that everyone pays for or when it is a mechanism like “road pricing.” It was noted that any increased use of user fees would need to be incremental, not a sudden large hit. Another member felt that basic infrastructure up to a certain level should be paid for out of general revenues.

**Uses of local/regional revenue authority.** Members agreed that local and regional revenue authority was a good thing, although it had a downside in that if local voters turn down requests to use the authority, it is useless for meeting infrastructure needs.

**Funding flexibility across modes.** Members agreed that flexibility was a desirable characteristic in funding sources.

### **Presentation on Puget Sound HOV System**

Mark Hallenbeck of the University of Washington Transportation Research Center (TRAC) presented data on HOV system performance. He said that during peak periods in some segments, the HOV lanes have been highly successful in meeting their goal of providing increased throughput of people. The WSDOT standard for HOV performance is traffic flow at 45 mph 90% of the time. During peak periods, HOV and general purpose (GP) lanes carry about the same number of vehicles but HOV carry about twice as many people. Outside the peak, there is room for 400 to 800 additional cars in the HOV lanes. When there is unused capacity, the question is raised whether that capacity could be put to better use. Using the spare capacity, however, does not always bring about improvements and may decrease safety. Bottlenecks and merge points may worsen with higher volumes, for example at the entrance to the 520 bridge.

The best technical solution might be to open some but not all off-peak HOV lanes to SOV users, either for free or at a price. In the best case, it could reduce congestion and increase travel speeds and reliability. But it could also introduce confusion to the driver and create problems for management and enforcement of the system. Assuming toll collection of \$1 per trip, twice a day, on 7 separate facilities, \$13 million in gross revenues could potentially be generated, but that does not include the cost of implementation and toll collection.

Rob Fellows, HOV System Planning Manager for WSDOT, presented another set of issues with use of available capacity in the HOV system. The system needs to provide a fast, reliable trip time for HOVs. That is best achieved when there is a minimum of conflict with general purpose traffic and when there is continuity and consistency to users throughout the system (for example when the lanes are barrier-separated, like the express lanes). To apply tolls in a way that is credible with the public, there should be consistent application. Either everyone pays, or tolls are charged for very high-cost facilities, or tolls are charged for some added value, such as faster travel time.

In a system such as the one in the Puget Sound where most HOV lanes are concurrent (separated just by a stripe) and not barrier-separated, and where the system would be tolled only during certain hours and on certain segments, there would be a variety of operational issues. There would be the question of where exactly at any given time to impose a toll; no single price would be optimal at all locations; enforcement would be complicated. Additionally, traffic forecasts indicate that by the year 2020, HOV lanes will be overcrowded and it will be beneficial to switch from 2-person to 3-person carpool requirements for HOV use.

Opportunities do exist to consider tolling on the express lanes on I-5 and I-90. HOVs would still travel free, but SOVs would pay a toll. This could reduce traffic bottlenecks at each end and revenues could be used to support the system. Additional opportunities may exist for new lanes in corridors such as I-405 or SR-167. Tolls could offset the cost of new construction.

Mike Hoover, staff person in the Senate Republican caucus, presented research he conducted on use of the HOV system. The legislature receives many letters from citizens asking how we can make better use of the existing system. A public opinion poll indicated that 57% of the public feel that HOV lanes should be open to all users during off-peak periods. Of the 21 other states that have HOV systems, 15 allow them to be used by everyone in the off-peak. Washington is in the minority with its current policy. New Jersey opened its HOV system entirely. Although federal funds had been used for the construction, the state was able to show that congestion relief and air quality benefits improved by opening the system. California has a threshold of 800 HOVs per hour. Until that threshold is reached, the system is open to all users. The state should consider developing a set of criteria for opening the system to SOV use.

Chris Endresen, Kitsap County Commissioner and Chair of the PSRC's HOV Policy Advisory Committee, presented the results of the committee's recent report. The committee worked for 16 months reviewing the 24-hour HOV policy and strongly recommended keeping the policy. The committee's conclusions were based on technical, policy and common sense perspectives. Technical issues included increasing congestion on all parts of the system and the need to use capacity most efficiently; spreading peak periods; and the utilization of HOV capacity to carry twice as many people per vehicle as adjacent GP lanes. Other technical issues were enforcement issues, air quality and the growth of transit and HOV use as part of the region's adopted transportation plans. The policy perspective included such issues as supporting growth management plans, providing reliability for transit operations and keeping Sound Transit's ballot commitments to deliver future high capacity transit

service. Common sense issues include supporting employers' efforts to reduce trips and keeping the commitment to hold on to our quality of life.

The Committee adjourned at 11:55 a.m.